

January 19, 2001

Mr. Ronald D. Byrd, P.E.
Senior Consultant
Stantec Consulting, Inc.
950 Industrial Way
Sparks, Nevada 89431

Re: The Reno Retrac Corridor Project

Dear Mr. Byrd:

In response to your request, we have prepared a preliminary valuation analysis of the various parcels which have been identified as lying within the Reno Retrac Corridor Project Alternative 5. You have requested that we provide you with a summary of our analysis of the subject properties. It is intended that the accompanying report be utilized in conjunction with the Environmental Impact Statement, Reno Railroad Corridor Project.

The purpose of this analysis is to establish a preliminary range in the Market Value of the subject properties as of a current date of valuation. The function of this preliminary valuation analysis is to assist in the analysis of the likely cost of the proposed right of way acquisitions for the Reno Railroad Corridor Project for initial budgeting purposes.

This is a limited appraisal, in that certain departures from the Uniform Standards of Professional Appraisal Practice, as denoted herein, were invoked. The analysis, as set forth herein, is based upon preliminary exterior inspections of the subject properties and review of available aerial photographs of the subject ownerships. No interior inspections of

the subject properties were conducted. The valuation analysis has been based upon preliminary data research, and should not be construed as a formal appraisal of the subject properties. The preliminary value ranges reported herein are subject to modification upon in depth investigation, valuation analysis, thorough property investigation, and upon completion of formal appraisals of the individual subject parcels.

The reader of this letter and anyone utilizing the preliminary value indications set forth on the attached charts are strongly cautioned that these values have been estimated based upon preliminary maps and land areas as provided by the client.

This report, together with our working file, is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a summary appraisal report. The depth of discussion contained in this report is specific to the needs of the client and for the intended use as stated herein. The appraisers are not responsible for the unauthorized use of this report.

The opinions of value, as set forth in this report, are effective as of November 28, 2000. This report was prepared on January 10, 2001. The market data research analysis and estimation of preliminary value ranges was conducted between March 31, 2000 and November 30, 2000. As market conditions, real estate prices and rental rates have generally remained stable in the downtown Reno area over the past several months, it is our opinion that the preliminary valuation conclusions and analysis, as set forth herein, represent market conditions as of a current date of valuation.

MARKET VALUE DEFINED

"Value" means the most probable price which a property would bring in a competitive and open market under the conditions of a fair sale, without the price being affected by undue stimulus, whereby the sale is consummated on a specified date and the title to the property is passed from the seller to the buyer under the following conditions:

- a) The buyer and seller are acting prudently and knowledgeably;
- b) The buyer and seller are typically motivated;
- c) The buyer and seller are well informed or well advised and acting in what they consider are their own best interests;
- d) A reasonable time is allowed to expose the property for sale on the open market;
- e) Payment is made with United States dollars in cash or pursuant to another financial arrangement comparable thereto; and

- f) The sale price represents the normal consideration for the property and is unaffected by special or creative financing or sales concessions granted by any person associated with the sale.¹

Attached to this letter is a summary of the preliminary value indications for Alternative 5.

The preliminary valuation analysis of the subject properties, and allocation of the leasehold interests, if applicable, is based upon the following methodology:

**PRELIMINARY VALUATION ANALYSIS
RENO RETRAC
SUMMARY OF VALUATION METHODOLOGY AND ANALYSIS**

Preliminary Identification and Analysis of Subject Neighborhood:

On a preliminary basis, we identified the land uses within the subject neighborhood and the various types of improvements within the subject neighborhood.

Identification and Analysis of Subject Properties:

This phase of the appraisal assignment involved a cursory exterior inspection of the subject properties, a review of the records of the Washoe County Assessor's Office, and a review of aerial photographs as provided by Stantec and IDS.

Summaries of the subject properties were compiled, including a brief property description, owner of record, assessed and taxable values and zoning. This information was based upon the available information as provided by the Washoe County Assessor's Office and Metroscan.

Preliminary Highest and Best Use Analysis:

Based upon a review of the available information, a preliminary analysis of the Highest and Best Use of the zones of value within the railroad corridor was conducted.

¹ NRS 37.009

Methodology:

To establish a preliminary range in the Market Value of the various parcels located in the Reno Retrac Corridor Project, the Cost Approach to Value, the Income Approach to Value and the Market Approach to Value were considered. Given the age, condition and difficulty in estimating accrued depreciation, the Cost Approach to Value was not utilized in this preliminary valuation analysis.

Both the Income Approach to Value and the Market Approach to Value, or Direct Sales Comparison Approach, were utilized to arrive at preliminary indications of the Market Value of the subject properties located within the Railroad Corridor. Comparable sales and rental charts, summarizing the data utilized are attached herewith.

Market Approach to Land Value:

Based upon our analysis of the physical characteristics, locational characteristics, zoning classification and other various factors, zones of value along the railroad corridor were identified.

To establish preliminary estimates of the market value of the subject sites within the railroad corridor, an analysis of comparable land sales was conducted. This information was based upon comparable sales data contained in these appraisers' files as well as preliminary research at the Washoe County Assessor's Office and sales data as provided by Metroscan.

Preliminary ranges in value were established for the various zones within the railroad corridor. The following sets forth a summary of the zones of value as identified in this phase of the appraisal analysis.

Dickerson Road to Gardner Street	\$4.50 per sq. ft. - \$5.50 per sq. ft.
Keystone Avenue: 2 nd Street to 4 th Street	\$7.50 per sq. ft. - \$15.00 per sq. ft.
4 th Street	\$12.00 per sq. ft - \$17.00 per sq. ft.
Vine Street to Ralston Street	\$7.50 per sq. ft. - \$12.50 per sq. ft.

Casino Core:

Ralston St. to Arlington Avenue	\$25.00 per sq. ft. - \$30.00 per sq. ft.
Arlington Avenue- West Street	\$40.00 per sq. ft. - \$45.00 per sq. ft.
West Street to Sierra Street	\$75.00 per sq. ft. - \$80.00 per sq. ft.
Sierra Street – Virginia Street	\$150.00 per sq. ft. - \$175.00 per sq. ft.
Virginia Street to Center Street	\$150.00 per sq. ft. - \$175.00 per sq. ft.
Center Street to Lake Street	\$60.00 per sq. ft. - \$75.00 per sq. ft.
Lake Street to Evans Avenue	\$35.00 per sq. ft. - \$40.00 per sq. ft.

Easterly Corridor:

Evans Avenue to Valley Road	\$6.00 per sq. ft. - \$6.50 per sq. ft.
Easterly from Valley Road	\$3.50 per sq. ft. - \$6.00 per sq. ft.

Income Approach to Value:

To establish an estimate of the market rent of the various types of property utilizations, a preliminary survey of comparable rentals was conducted. The principal property types located within the subject neighborhood include industrial, industrial-commercial, retail-commercial and motels/weekly apartments. The following sets forth a summary of the rental rate ranges established for the various property types within the subject study area.

Industrial	\$.15 per sq. ft. - \$.35 per sq. ft.,
Industrial-Commercial	\$.50 per sq. ft. - \$.75 per sq. ft.,
Retail-Commercial	\$.85 per sq. ft. - \$1.15 per sq. ft.
Motels/Weekly Apartments	\$125.00 per week - \$165.00 per week

Typically, the vacancy and credit loss was estimated to be 7.5% of the projected gross annual income. As the majority of the industrial comparable rentals involve triple net terms, operating expenses are estimated to be 5% to 10% of effective gross income. The retail-commercial rental comparables are generally leased on a modified gross basis. Therefore, expenses for the subject retail-commercial properties are estimated at 20% of effective gross income. Typically, the overall capitalization rate applicable to the subjects' projected net operating income ranges between 10.5% and 11%.

Direct Sales Comparison Approach:

To establish a preliminary estimate of the market value range of the subject properties by the market approach to value, or direct sales comparison approach to value, a review of the comparable sales data contained in our files was conducted. In addition, research was conducted utilizing the records of the Washoe County Assessor's Office and Metroscan. The following sets forth a summary of the value range applicable to the various property types contained within the subject properties.

Industrial	\$15.00 per sq. ft. - \$35.00 per sq. ft.
Industrial-Commercial	\$35.00 per sq. ft. - \$55.00 per sq. ft.
Commercial	\$75.00 per sq. ft. - \$125.00 per sq. ft.
Motel/Weekly Apartments	\$25,000 per unit - \$35,000 per unit

Correlation and Preliminary Value Range:

The indicated values from the income approach to value and direct sales comparison approach were analyzed and correlated to provide a preliminary value range for the individual subject properties.

Special Use Properties:

Certain properties within the corridor involve special use properties for which no comparable sales data is available. To establish an indication of the market value of these types of properties, typically, the cost approach to value was utilized.

Easements:

Easements are typically valued based upon a percentage of the unencumbered fee simple value. The best evidence of the value of an easement is felt to be demonstrated by the actions of utility companies and other governmental agencies who commonly acquire

easements. Typically, utilities and government agencies will pay between 25% and 50% of the unencumbered fee simple value for the acquisition of certain types of easements. For

those easements which severely limit the utilizations of the fee property, utilities and government agencies will often pay a substantially higher percentage of the fee value.

For the purposes of this preliminary valuation analysis, the following factor was utilized.

Utility Easements	50% of fee simple estate
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Construction Easements:

To establish an estimate of the market rent applicable to construction and or temporary easements the market value of any proposed permanent easements was subtracted from the market value of the fee simple estate. The resulting figure was then multiplied by a 10% annual rate of return times the estimated duration of the temporary easement term to arrive at an estimate of the market rent due the subject property owner.

Summary:

The purpose of this analysis is to establish a preliminary range in the Market Value of the subject properties as of a current date of valuation. The function of this preliminary valuation analysis is to assist in the analysis of the likely cost of the proposed right of way acquisitions for the Reno Railroad Corridor Project for initial budgeting purposes.

The analysis, as set forth herein, is based upon preliminary exterior inspections of the subject properties and review of available aerial photographs of the subject ownership. No interior inspections of the subject properties were conducted. The valuation analysis has been based upon preliminary data research, and should not be construed as a formal appraisal of the subject properties. The preliminary value ranges reported herein are subject to modification upon in depth investigation, valuation analysis, thorough property investigation, and upon completion of formal appraisals of the individual subject parcels.

The following chart sets forth a summary of the preliminary minimum/maximum value range for the proposed acquisitions as of November 28, 2000. Reference is made to the addenda of this appraisal report, which sets forth summaries of the subject properties located within Alternative 5, and preliminary value ranges for the individual ownerships.

	Alternative 5	
	Minimum	Maximum
Permanent Acquisitions and Displacements	\$3,395,400	\$3,903,365
Temporary Acquisitions and Displacements	\$384,400	\$440,650
Partial Takes and Easements	\$1,522,244	\$1,712,898
Total	\$5,302,044	\$6,056,913
Indicated Preliminary Value Range	\$5,302,000	\$6,057,000
Total Indicated Preliminary Value	\$5,694,000	

**PRELIMINARY VALUATION ANALYSIS
RENO RETRAC
ASSUMPTIONS AND LIMITING CONDITIONS**

- The valuation analysis and conclusions of value are based upon preliminary right of way maps depicting Alternative 5, a review of the records of the Washoe County Assessor's Office, preliminary exterior inspections of the subject properties and review of available aerial photographs of the subject ownerships. No interior inspections of the subject properties were conducted.
- The indicated leasehold values are allocations of value, derived by deducting the preliminary land value range from the preliminary value range of the total subject property value. They do not reflect the actual lease terms associated with each of the subject properties.
- The values reported with respect to the temporary acquisitions and displacements (temporary construction easements) represent market rent during the time of construction. To arrive at an estimated market rent during the construction period, an appropriate rate of return has been applied to the appraised value, taking into consideration the time of construction. The estimated time required for the temporary easements was provided by Stantec and is assumed to be correct.
- We have also been requested to address the underground utility easements as identified by Stantec Consulting, Inc. In this analysis, it is assumed that the easement holder is responsible for restoring the land and surface when maintenance and repair of the utilities is required. Although no building structures would be allowed over the underground easement areas, it has been assumed that many surface uses such as parking, landscaping, outdoor storage, etc. would be permitted.

- Our valuation analysis is based upon very preliminary maps and land areas provided by Stantec. As these calculations are very preliminary in nature, and as it was not possible for these appraisers to precisely identify the location of the individual easements, it is likely that there are areas of overlapping easements areas. As a result our preliminary valuation conclusions will need to be modified at such time as more precise calculations of the easement areas and overlaps are available.
- Damages to the individual subject properties, as a result of the right of way acquisition and the proposed project, have not been addressed. Damages may vary, depending upon the final design, and to properly estimate damages would require detailed analysis of the proposed right of way acquisition areas and design of the proposed project to measure the impact on the remainder parcels, as well as preparation of a complete appraisal of the affected subject property.
- It is beyond the scope of this appraisal assignment to address the impact of the proposed Retrac Project on the Market Value of the going concern of individual gaming properties in downtown Reno.
- The values as reported in this analysis have been based upon the assumption that there is clear and marketable title to each parcel.
- For the purposes of this valuation analysis, it has been assumed that none of the subject properties are encumbered with easements which would restrict or in any way limit the developmental potential and value of the subject properties.

- The appraisal analysis has been prepared on the assumption that there are no toxic waste or hazardous materials present on any of the subject properties. As many of the subject properties have been utilized for railroad, industrial and commercial utilizations for an extended period of time, it would not be unreasonable to anticipate that some environmental problems exist on the subject properties. The impact of environmentally hazardous matters has not been considered.

Respectfully Submitted,

Reese Perkins, MAI, SRA
Nevada Certified General Appraiser
License Number 00120

Cindy Lund Fogel, MAI
Nevada Certified General Appraiser
License Number 02312

Paul Oliphint
Nevada Registered Intern Appraiser
License Number 03147

APPRAISER'S CERTIFICATION

Each of the undersigned do hereby certify that, unless otherwise noted in this appraisal report:

- I have made a preliminary, exterior inspection of the property that is the subject of this report.
- I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analysis, opinions, and conclusions herein are based, are true and correct.
- This report sets forth all the limiting conditions (imposed by the terms of my assignment or by the undersigned) affecting the analysis, opinions, and conclusions contained in this report.
- This appraisal report has been made in conformity and is subject to the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute and the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The appraisal was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.

- No one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.
- The Appraisal Institute conducts a mandatory program of continuing education for its designated members. As of the date of this report, Reese Perkins and Cindy Lund Fogel have completed the requirements under the continuing education program of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

The real property, which is the subject of this preliminary valuation consultation analysis, was valued as of November 28, 2000, subject to the assumptions and limiting conditions as set forth herein.

Respectfully submitted,

Reese Perkins, MAI, SRA
Nevada Certified General Appraiser
License Number 00120

Cindy Lund Fogel, MAI
Nevada Certified General Appraiser
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